

Opening Statement
House Financial Services Committee
Secretary O'Neill Testimony
The Honorable Doug Bereuter
February 28, 2002

Chairman Oxley and Ranking Member LaFalce, I would like to thank you for conducting this important hearing with testimony from the Secretary of the Treasury, Paul O'Neill. I would also like to welcome Secretary O'Neill to this hearing.

Focusing my remarks on the subject within the areas of responsibility of the Subcommittee I chair, I would note that the Secretary of Treasury is required annually to come before this Committee and the Senate Committee on Foreign Relations to report on the condition of the international financial system and on progress in reforming these institutions. This requirement was enacted by Congress in 1998 as part of the FY1999 Omnibus Appropriations Act (P.L. No. 105-277) which provided for an \$18 billion increase in the U.S. quota for the IMF.

Of course, the United States was the leading founder and continues to be the largest contributor to both the World Bank and the IMF. In addition, the U.S. is an active member of the regional multilateral development banks and the Secretary of Treasury and his representatives are responsible for implementing U.S. policy towards these institutions.

Today, I would like to particularly emphasize two items: last year's activities of the Subcommittee on International Monetary Policy and Trade which addressed international financial institutions; and possible activities of this Subcommittee regarding these issues in the coming year.

Relevant activities of the Subcommittee on International Monetary Policy and Trade in 2001

Last year, the Subcommittee focused on the regional multilateral development institutions. In fact, H.R. 2604, which I introduced with bipartisan support, authorized the United States' participation in the Asian Development Fund and the International Fund for Agriculture Development and provided additional policies for the United States also towards the African Development Bank, the African Development Fund, the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development. This legislation, H.R. 2604, particularly addressed the subjects of HIV/AIDS, user fees, and transparency.

Subsequently, the House Financial Services Committee passed H.R. 2604 by a voice vote on October 31, 2001. However, we are still waiting for the House Floor to take up this legislation. It is important to note that IFAD was authorized in the FY2002 Foreign Operations bill which was signed into law. However, the Asian Development Fund still needs to be authorized. As a result, I believe it is very important that the full House Floor debate this legislation in the immediate future.

For tactical reasons, we have linked the House Floor consideration of the regional development institution legislation, H.R. 2604, with the Export-Import Bank Reauthorization Act of 2001 which also passed the Financial Services Committee on October 31, 2001, by a voice vote. Mr. Secretary, I am concerned that we have no resolution on Treasury's role in the approval of Ex-Im Bank's Tied Aid War Chest transactions. The actions early last year on the Ex-Im Tied Aid War Chest by representatives of the Department of the Treasury were arbitrary, inappropriate and excessive. In addition, the Treasury Department did not follow its own standards on follow-on sales.

On January 28, 2002, I was finally able to gather representatives of the Treasury Department, the Ex-Im Bank, and the White House on the Tied Aid War Chest. At this meeting, we asked for the language in our Ex-Im bill to be accepted on the Tied Aid War Chest or for proposals for reasonable and minimal changes to be suggested by the Treasury Department and the Export-Import Bank. We have asked for White House involvement to bring resolution to this situation.

Weeks have passed and we have received no response. In addition, I sent a letter to you, Mr. Secretary, dated February 15th, and to my knowledge I have not yet received a response. The expiration of the authorization of the Export-Import Bank is on March 31, 2002. This authorization has already been extended from its original September 30, 2001 expiration date. Treasury should understand that since Treasury officials have been, with or without authorization, threatening vetoes of this legislation, its incumbent on them to be cooperative and expedite any kind of negotiated conclusion. Now, it maybe much more difficult to pass an Ex-Im reauthorization than it was one or two months. It is intransigence at Treasury that is responsible for the delay. We cannot responsibly pass a so-called clean authorization as every administration requests; reforms are clearly needed and we will resist an end-around this Committee through the Appropriations Committee.

Furthermore, in 2001, the Subcommittee on International Monetary Policy and Trade conducted hearings on the subject of Africa. The Subcommittee's first hearing was on the African Development Bank and Fund, which has had the most fiscal and management difficulties of all the multilateral development banks. In addition, my Subcommittee also conducted a hearing on World Bank and IMF activities in Africa last year.

With respect to 2002, the Subcommittee has already begun its examination of the Argentine financial crisis. On February 6th, the Subcommittee conducted a hearing with Undersecretary John Taylor of the Treasury Department testifying on the subject of Argentina. Moreover, on March 5th, the Subcommittee will hear from a distinguished panel of witnesses on the subject of Argentina including, among others, Dr. Alan Meltzer, who was the Chairman of the Meltzer Commission, and Dr. Fred Bergsten, who wrote a strong dissenting view to this Commission's majority report. I take a particular interest in the work of this Meltzer

Commission since I authored the language establishing the Commission, which was included in the FY1999 Omnibus Appropriations Act. This 11-person bipartisan Commission, which became known as the Meltzer Commission, was charged with performing a fundamental re-examination and review of the IMF, the World Bank, and other international financial institutions.

At our recent hearing, Undersecretary Taylor supported a concept that certain pre-qualification criteria should be required before a country can receive IMF assistance. The Meltzer Commission had this same recommendation. I am interested in any further perspective that the Secretary might give on this subject.

Additionally, the Committee expects very important authorization requests this year from the Administration for U.S. contributions to the International Development Association (IDA), the African Development Fund, and the Global Environmental Facility (GEF). I am aware that there is doubt about whether GEF needs to be authorized in legislation. The total multi-year replenishment for these institutions is as follows: \$2.85 billion for IDA-13, \$354 million for the African Development Fund, and \$430 million for the Global Environmental Facility. You need this Committee's cooperation and assistance on these authorization requests and we need you.

With respect to IDA, which is the concessional part of the World Bank, I am aware that the Administration has proposed converting up to 50% of loans for poor countries into grants. One of the Meltzer Commission recommendations was also to convert loans into grants. I have not yet formulated a final personal conclusion on this subject and I am awaiting a GAO study on this matter, which I co-requested with Senator Jessie Helms (R-NC), the Ranking Member of the Senate Foreign Relations Committee.

Moreover, with regard to IDA, I am interested in the thoughts of the Secretary as it relates to the Administration's proposal to give additional contributions to IDA for a country successfully utilizing IDA funding to deliver measurable results in a country in areas such as education, health, or environment.

Furthermore, the African Development Fund also needs to be authorized this year. As I mentioned earlier, the Subcommittee conducted a hearing on this subject last year. With respect to the Global Environmental Facility, which also needs to be authorized this year, the World Bank serves as the trustee of this fund which pledges money to protect the global environment.

In conclusion, I look forward to the testimony of Secretary O'Neill on the subjects that I mentioned, and on other areas relevant to the international financial architecture. Thank you.